



*Howard S. Weitzman*  
Comptroller

Elizabeth D. Botwin  
Chief Deputy Comptroller

Randolph Ghisone  
Deputy Comptroller  
for Accounting

Susan D. Wagner  
Deputy Comptroller  
for Operations

**OFFICE OF THE COMPTROLLER**

240 Old Country Road  
Mineola, New York 11501  
Tel: (516) 571-1147  
Fax: (516) 571-1132  
bkubart@nassaucountyny.gov

**To:** *Howard S. Weitzman*  
*Nassau County Comptroller*

**From:** *Bruce G. Kubart*  
*Deputy Field Audit Director*

**Date:** **April 20, 2006**

**Re:** **Review of NHCC's Cash Balances as of April 14, 2006**

As a result of renewed concern about the financial condition of the Nassau Health Care Corporation ("NHCC"), the Comptroller's Office is again conducting limited reviews of NHCC's cash balances each month. The Stabilization Agreement between the NHCC and Nassau County executed in September 2004 provides this office with the authority to review the financial condition of NHCC. Specifically, section XI of the Agreement provides that the "Comptroller may examine and investigate, at any time he or she deems appropriate, the financial affairs and condition, performance and operations of NHCC, including its accounts, books, records, and any other matters relating to its finances and operations."

What follows is the cash balance review through April 14, 2006. This limited review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Because we only performed limited testing, our review was not sufficient to enable us to express, and we do not express, an opinion on the cash balances reported herein. Additionally, our review did not focus on the validation of any receivables or liabilities that could impact current cash balances.

Our previous memorandums bolstered your concerns that changes in NHCC's financial operations must occur immediately if NHCC is to remain solvent. Nassau County is considering a plan to use nearly \$100 million of tobacco settlement money to temporarily help support NHCC. NHCC must not only establish a plan for these funds but must prepare a strategic plan to ensure its long term fiscal viability.

Our findings show that since our March 15, 2006 review:

- the balance of available cash and cash equivalents decreased by \$9.3 million.

- the balance of cash and cash equivalents and assets whose use is limited decreased by \$7.6 million.
- working capital decreased by \$8.1 million, to \$2.0 million.

We note that as of April 14, 2006, NHCC has borrowed \$8.6 million from an account reserved for malpractice claims in order to have sufficient cash to operate. Also, the State has still failed to finalize the IGT payment due the NHCC of approximately \$2.3 million. We were also informed that NHCC's cash position is causing it to defer payments to certain vendors.

The following table shows the balances of reported cash and cash equivalents, the total of cash and cash equivalents and assets whose use is limited, and the working capital totals as of April 14, 2006. It also shows the net dollar change and percentage change in the balances since December 31, 2004 and 2005 and from the previous review of March 15, 2006.

<b>Summary of Cash Balances</b>								
Amounts in Thousands								
	Dec, 31, 2004 (See Note)	Dec, 31, 2005 (See Note)	March 16, 2006 (See Note)	April 14, 2006 (See Note)	Net \$ Change Mar. 15, 2006 to Apr. 14, 2006	Net \$ Change Dec. 31, 2004 to Apr. 14, 2006	Net \$ Change Dec. 31, 2005 to Apr. 14, 2006	Percentage Change Dec. 31, 2004 to Apr. 14, 2006
Cash and Cash Equivalents	\$30,050	\$15,868	\$12,876	\$3,582	(\$9,294)	(\$26,468)	(\$12,286)	(88.1%)
Cash and Cash Equivalents and Assets Whose Use is Limited	\$95,173	\$76,215	\$60,893	\$53,246	(\$7,647)	(\$41,927)	(\$22,969)	(44.1%)
Working Capital	\$29,456	\$15,184	\$10,171	\$2,028	(\$8,143)	(\$27,428)	(\$13,156)	(93.1%)

**Note**

The balances of the cash and cash equivalents and the total cash and cash equivalents and assets whose use is limited for December 31, 2004 were obtained from the audited Consolidated Financial Statements and Other Financial Information for the Nassau Health Care Corporation and Subsidiaries for the Year Ended December 31, 2004. The Working Capital balance for December 31, 2004 was obtained from a trial balance and verified to the audited Consolidated Financial Statements for the year ended December 31, 2004.

The balances of the cash and cash equivalents and the total of cash and cash equivalents and assets whose use is limited for March 15, 2006 and April 14, 2006 is based upon updated bank balances obtained via inquiries performed on the bank's online system and/or by contacting the bank to obtain the balances as of the 14th of the month and balances that were carried forward from the end of the previous month. The review did not take into account any possible cash deposits or fund transfers in transit.

Certain balances used in this calculation consist of amounts reported as of the previous month's end, a methodology that has been consistently applied since we began reporting these balances.